

103^D CONGRESS
1ST SESSION

H. R. 1343

To amend the Internal Revenue Code of 1986 to permit penalty-free withdrawals from individual retirement accounts to purchase first homes or pay higher education expenses.

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1993

Mrs. BYRNE introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permit penalty-free withdrawals from individual retirement accounts to purchase first homes or pay higher education expenses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DISTRIBUTIONS FROM INDIVIDUAL RETIRE-**
4 **MENT PLANS MAY BE USED WITHOUT PEN-**
5 **ALTY TO PURCHASE FIRST HOMES OR TO PAY**
6 **HIGHER EDUCATION EXPENSES.**

7 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
8 the Internal Revenue Code of 1986 (relating to exceptions

1 to 10-percent additional tax on early distributions from
 2 qualified retirement plans) is amended by adding at the
 3 end thereof the following new subparagraph:

4 “(D) DISTRIBUTIONS FROM INDIVIDUAL
 5 RETIREMENT PLANS FOR FIRST HOME PUR-
 6 CHASES OR EDUCATIONAL EXPENSES.—Dis-
 7 tributions to an individual from an individual
 8 retirement plan—

9 “(i) which are qualified first-time
 10 homebuyer distributions (as defined in
 11 paragraph (6)); or

12 “(ii) to the extent such distributions
 13 do not exceed the qualified higher edu-
 14 cation expenses (as defined in paragraph
 15 (7)) of the taxpayer for the taxable year.”

16 (b) DEFINITIONS.—Section 72(t) of such Code is
 17 amended by adding at the end thereof the following new
 18 paragraphs:

19 “(6) QUALIFIED FIRST-TIME HOMEBUYER DIS-
 20 TRIBUTIONS.—For purposes of paragraph
 21 (2)(D)(i)—

22 “(A) IN GENERAL.—The term ‘qualified
 23 first-time homebuyer distribution’ means any
 24 payment or distribution received by an individ-
 25 ual to the extent such payment or distribution

1 is used by the individual before the close of the
2 60th day after the day on which such payment
3 or distribution is received to pay qualified ac-
4 quisition costs with respect to a principal resi-
5 dence of a first-time homebuyer who is such in-
6 dividual or the spouse, child, or grandchild of
7 such individual.

8 “(B) QUALIFIED ACQUISITION COSTS.—
9 For purposes of this paragraph, the term
10 ‘qualified acquisition costs’ means the costs of
11 acquiring, constructing, or reconstructing a res-
12 idence. Such term includes any usual or reason-
13 able settlement, financing, or other closing
14 costs.

15 “(C) FIRST-TIME HOMEBUYER; OTHER
16 DEFINITIONS.—For purposes of this para-
17 graph—

18 “(i) FIRST-TIME HOMEBUYER.—The
19 term ‘first-time homebuyer’ means any in-
20 dividual if—

21 “(I) such individual (and if mar-
22 ried, such individual’s spouse) had no
23 present ownership interest in a prin-
24 cipal residence during the 3-year pe-
25 riod ending on the date of acquisition

1 of the principal residence to which
2 this paragraph applies, and

3 “(II) subsection (a)(6), (h), or
4 (k) of section 1034 did not suspend
5 the running of any period of time
6 specified in section 1034 with respect
7 to such individual on the day before
8 the date the distribution is applied
9 pursuant to subparagraph (A)(ii).

10 “(ii) PRINCIPAL RESIDENCE.—The
11 term ‘principal residence’ has the same
12 meaning as when used in section 1034.

13 “(iii) DATE OF ACQUISITION.—The
14 term ‘date of acquisition’ means the date—

15 “(I) on which a binding contract
16 to acquire the principal residence to
17 which subparagraph (A) applies is en-
18 tered into, or

19 “(II) on which construction or re-
20 construction of such a principal resi-
21 dence is commenced.

22 “(D) SPECIAL RULE WHERE DELAY IN AC-
23 QUISSION.—If any distribution from any indi-
24 vidual retirement plan fails to meet the require-
25 ments of subparagraph (A) solely by reason of

1 a delay or cancellation of the purchase or con-
2 struction of the residence, the amount of the
3 distribution may be contributed to an individual
4 retirement plan as provided in section
5 408(d)(3)(A)(i) (determined by substituting
6 ‘120 days’ for ‘60 days’ in such section), except
7 that—

8 “(i) section 408(d)(3)(B) shall not be
9 applied to such contribution, and

10 “(ii) such amount shall not be taken
11 into account in determining whether sec-
12 tion 408(d)(3)(A)(i) applies to any other
13 amount.

14 “(7) QUALIFIED HIGHER EDUCATION EX-
15 PENSES.—For purposes of paragraph (2)(D)(ii)—

16 “(A) IN GENERAL.—The term ‘qualified
17 higher education expenses’ means tuition, fees,
18 books, supplies, and equipment required for the
19 enrollment or attendance of—

20 “(i) the taxpayer,

21 “(ii) the taxpayer’s spouse, or

22 “(iii) the taxpayer’s child (as defined
23 in section 151(c)(3)) or grandchild,

24 at an eligible educational institution (as defined
25 in section 135(c)(3)).

1 “(B) COORDINATION WITH SAVINGS BOND
2 PROVISIONS.—The amount of qualified higher
3 education expenses for any taxable year shall be
4 reduced by any amount excludable from gross
5 income under section 135.”

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to distributions received after the
8 date of the enactment of this Act.

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